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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 52364

**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Matrix Private Equities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

11 S. 12th Street, 3rd Floor

(No. and Street)

Richmond

VA

23219

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Mark Godofsky

212-314-4769

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Goodman & Company, LLP

(Name - if individual, state last, first, middle name)

4510 Cox Road, Suite 200

Glen Allen

VA

23060

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☒ Certified Public Accountant

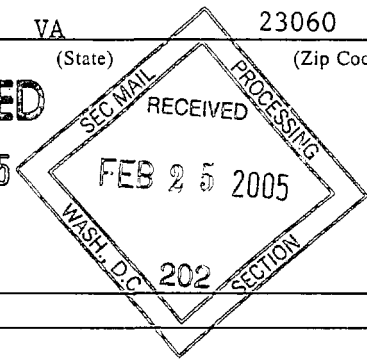
☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

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FINANCIAL



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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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2/10/05

### OATH OR AFFIRMATION

1, Jeffrey G. Moore, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Matrix Private Equities, Inc., as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Signature

President

Title

Wendy B. Lambert  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

*Financial Statements*  
*Year Ended*  
*December 31, 2004*

*Matrix Private Equities, Inc.*



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***Matrix Private Equities, Inc.***

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## *Report of Independent Auditors*

Board of Directors  
*Matrix Private Equities, Inc.*

We have audited the accompanying balance sheet of *Matrix Private Equities, Inc.* as of December 31, 2004, and the related statements of income, stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the management of *Matrix Private Equities, Inc.* Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Matrix Private Equities, Inc.* as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Goodman & Company*

Richmond, Virginia  
February 15, 2005

4510 Cox Road, Suite 200  
Glen Allen, VA 23060-3394  
[www.goodmanco.com](http://www.goodmanco.com)

*Matrix Private Equities, Inc.*

**Balance Sheet**

**December 31,**

**2004**

**Assets**

**Current assets**

Cash	\$ 658,085
Prepaid expenses	<u>1,580</u>
	<u>\$ 659,665</u>

**Liabilities and Stockholder's Equity**

**Current liabilities**

Due to related party	\$ 293,663
Income taxes payable	<u>104,480</u>
<b>Total current liabilities</b>	<u>398,143</u>

**Stockholder's equity**

Common stock - \$.01 par value; 10,000 shares authorized; 3,047 shares issued and outstanding	30
Additional paid-in capital	124,970
Retained earnings	<u>136,522</u>
<b>Total stockholder's equity</b>	<u>261,522</u>
	<u>\$ 659,665</u>

*The accompanying notes are an integral part of these financial statements.*

***Matrix Private Equities, Inc.***

***Statement of Income***

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**Year Ended December 31,**

**2004**

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<b>Fee income</b>	<b>\$ 700,000</b>
<b>Operating expenses</b>	
Commissions	314,900
Allocated general and administrative expenses	97,431
Insurance	5,000
Professional fees	4,468
Miscellaneous	617
Taxes, licenses and permits	177
<b>Total expenses</b>	<b>422,593</b>
<b>Net income before taxes</b>	<b>277,407</b>
<b>Provision for income tax expense</b>	<b>105,277</b>
	<b>\$ 172,130</b>

*The accompanying notes are an integral part of these financial statements.*

***Matrix Private Equities, Inc.***

***Statement of Stockholder's Equity***

**Year Ended December 31, 2004**

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
<b>Balance, December 31, 2003</b>	\$ 30	\$ 74,970	\$ (35,608)	\$ 39,392
Net income	-	-	172,130	172,130
Contributions from stockholder	-	50,000	-	50,000
<b>Balance, December 31, 2004</b>	<b>\$ 30</b>	<b>\$ 124,970</b>	<b>\$ 136,522</b>	<b>\$ 261,522</b>

*The accompanying notes are an integral part of these financial statements.*



***Matrix Private Equities, Inc.***

***Statement of Cash Flows***

<b>Year Ended December 31,</b>	<b>2004</b>
<b>Cash flows from operating activities</b>	
Net income	\$ 172,130
Adjustments to reconcile to net cash from operating activities:	
Change in:	
Prepaid expenses	(1,580)
Income taxes receivable	797
Amount due to related party	288,663
Income taxes payable	104,480
<b>Net cash from operating activities</b>	<b>564,490</b>
<b>Cash flows from financing activities</b>	
Contributions from stockholder	50,000
<b>Net change in cash</b>	<b>614,490</b>
<b>Cash - beginning of year</b>	<b>43,595</b>
<b>Cash - end of year</b>	<b>\$ 658,085</b>

*The accompanying notes are an integral part of these financial statements.*

**December 31, 2004**

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**1. Organization and Nature of Business**

*Matrix Private Equities, Inc.* (Company), a wholly-owned subsidiary of AXA Financial, Inc., is a broker-dealer, providing merger and acquisition consulting services to privately held companies and assisting with the placement of new offerings of debt and equity securities. The Company's principal office is located in Richmond, Virginia.

**2. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents at year end.

**Concentration of Credit Risk**

At times, the Company may have cash and cash equivalents at a financial institution in excess of insured limits. The Company places its cash and cash equivalents with high credit quality financial institutions whose credit rating is monitored by management to minimize credit risk.

**Fee Income**

Fee income includes fees earned from providing merger and acquisition consulting services, as well as assistance with the placement of new offerings of debt and equity securities, and is recorded when earned.

**Commissions**

Commissions are accrued at the time the related fee income is recognized.

**Income Taxes**

The Company is included in the consolidated federal income tax return filed by the parent. Income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

### **3. Affiliate Agreement and Related Party Transactions**

The Company has an agreement with an affiliated company, Matrix Capital Markets Group, Inc. (MCMG), in which the Company reimburses for expenses paid by MCMG on behalf of the Company. Expenses covered under the agreement include outside labor, salaries, taxes, insurance, marketing costs, credit reports, subscriptions, travel expenses, use of furniture and fixtures, rent, postage, office supplies, accounting and legal services, and other general administrative and office expenses. The effective date of the agreement was December 1, 2003.

During 2004, the Company recorded \$97,431 of allocable expenses payable to MCMG as a result of this agreement. At year end, amounts due to MCMG represent commissions payable of \$284,775 and reimbursable expenses of \$8,888, for a total of \$293,663.

### **4. Net Capital**

The Company is subject to the Net Capital Rule of the Securities and Exchange Commission (SEC Rule 15c3-1). This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and provides that equity capital may not be withdrawn, or cash dividends paid, if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company had net capital of \$259,942, which was \$233,399 in excess of its required net capital requirement of \$26,543. The Company's net capital ratio was 1.53 to 1.

\* \* \* \* \*



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***Report of Independent Auditors on Supplementary Information  
Required by Rule 17a-5 of the Securities and Exchange Commission***

Board of Directors  
***Matrix Private Equities, Inc.***

We have audited the accompanying financial statements of ***Matrix Private Equities, Inc.*** as of and for the year ended December 31, 2004, and have issued our report thereon dated February 15, 2005. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Goodman & Company*

Richmond, Virginia  
February 15, 2005

4510 Cox Road, Suite 200  
Glen Allen, VA 23060-3394  
[www.goodmanco.com](http://www.goodmanco.com)

**Matrix Private Equities, Inc.**

**Computation of Net Capital for Brokers and Dealers Pursuant to  
Rule 15c3-1 Under the Securities Exchange Act of 1934 - Schedule 1**

---

**December 31, 2004**

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<b>Stockholders' equity qualified for net capital</b>	<b>\$ 261,522</b>
<b>Nonallowable assets and miscellaneous capital charges</b>	
Prepaid expenses	<u>1,580</u>
<b>Net capital</b>	<b><u>\$ 259,942</u></b>
<b>Amounts included in total liabilities which represent     aggregate indebtedness</b>	
Due to related party	\$ 293,663
Income taxes payable	<u>104,480</u>
	<b><u>\$ 398,143</u></b>
 <b>Minimum net capital required (the greater of \$5,000 or 6-2/3%     of aggregate indebtedness)</b>	 <b><u>\$ 26,543</u></b>
<b>Net capital in excess of minimum requirements</b>	<b><u>\$ 233,399</u></b>
 <b>Ratio of aggregate indebtedness to net capital</b>	 <b><u>1.53 to 1</u></b>

**Note**     There are no material differences between the amounts presented above and the amounts reported on the Company's unaudited FOCUS Report as of December 31, 2004.

The Company is exempt from reserve requirements and possession on control requirements under Rule 15c3-3(k)(2)(i).

*See report of independent auditors.*



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***Report of Independent Auditors on Internal Control Required by  
SEC Rule 17a-5 for a Broker-Dealer Claiming an  
Exemption from SEC Rule 15c3-3***

Board of Directors  
***Matrix Private Equities, Inc.***

In planning and performing our audit of the financial statements and supplemental Schedule 1 of ***Matrix Private Equities, Inc.*** (Company), for the year ended December 31, 2004, we considered its internal control, including activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including test of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices followed by the Company in any of the following:

- Making quarterly securities examinations, counts, verifications, and comparisons
- Recordation of differences required by Rule 17a-13
- Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

Management is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition; and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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[www.goodmanco.com](http://www.goodmanco.com)

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in its regulation of registered brokers and dealers, and is not intended to be and should not be used for anyone other than these specified parties.

Goodman & Company

Richmond, Virginia  
February 15, 2005